**IN THE UNITED STATES DISTRICT COURT**
**FOR THE EASTERN DISTRICT OF MISSOURI**
**EASTERN DIVISION**

STATE OF NEBRASKA, et al.,

*Plaintiffs*,

v.

JOSEPH R. BIDEN, Jr.,
in his official capacity as the President of the United States of America, et al.

*Defendants*.

No. 4:22-cv-01040

**DECLARATION OF JAMES A. CAMPBELL**

I, James A. Campbell, hereby declare and state as follows:

1. I am an attorney for the State of Nebraska, a plaintiff in this case. I am over the age of 21 and make this declaration based on my own personal knowledge.

2. Attached as **Exhibit A** is a true and correct copy of a website published by Federal Student Aid, an Office of the U.S. Department of Education, outlining the Biden Administration's mass student loan cancellation program. It was downloaded from https://studentaid.gov/debt-relief-announcement/one-time-cancellation.

3. Attached as **Exhibit B** is a true and correct copy of a website published by Federal Student Aid, an Office of the U.S. Department of Education, explaining the Biden Administration's mass student loan cancellation program and answering frequently asked questions. It was downloaded from https://studentaid.gov/debt-relief-announcement/.

4. Attached as **Exhibit C** is a true and correct copy of a budget model published by Penn Wharton, University of Pennsylvania, entitled *The Biden Student Loan Forgiveness Plan:*

*Budgetary Costs and Distributional Impact*. It was downloaded from https://budgetmodel.wharton.upenn.edu/issues/2022/8/26/biden-student-loan-forgiveness.

5. Attached as **Exhibit D** is a true and correct copy of the transcript of an August 24, 2022 White House press briefing by senior administration officials addressing the student loan cancellation. It was downloaded from https://www.whitehouse.gov/briefing-room/press-briefings/2022/08/24/background-press-call-by-senior-administration-officials-on-student-loan-relief/.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 28, 2022.

James A. Campbell

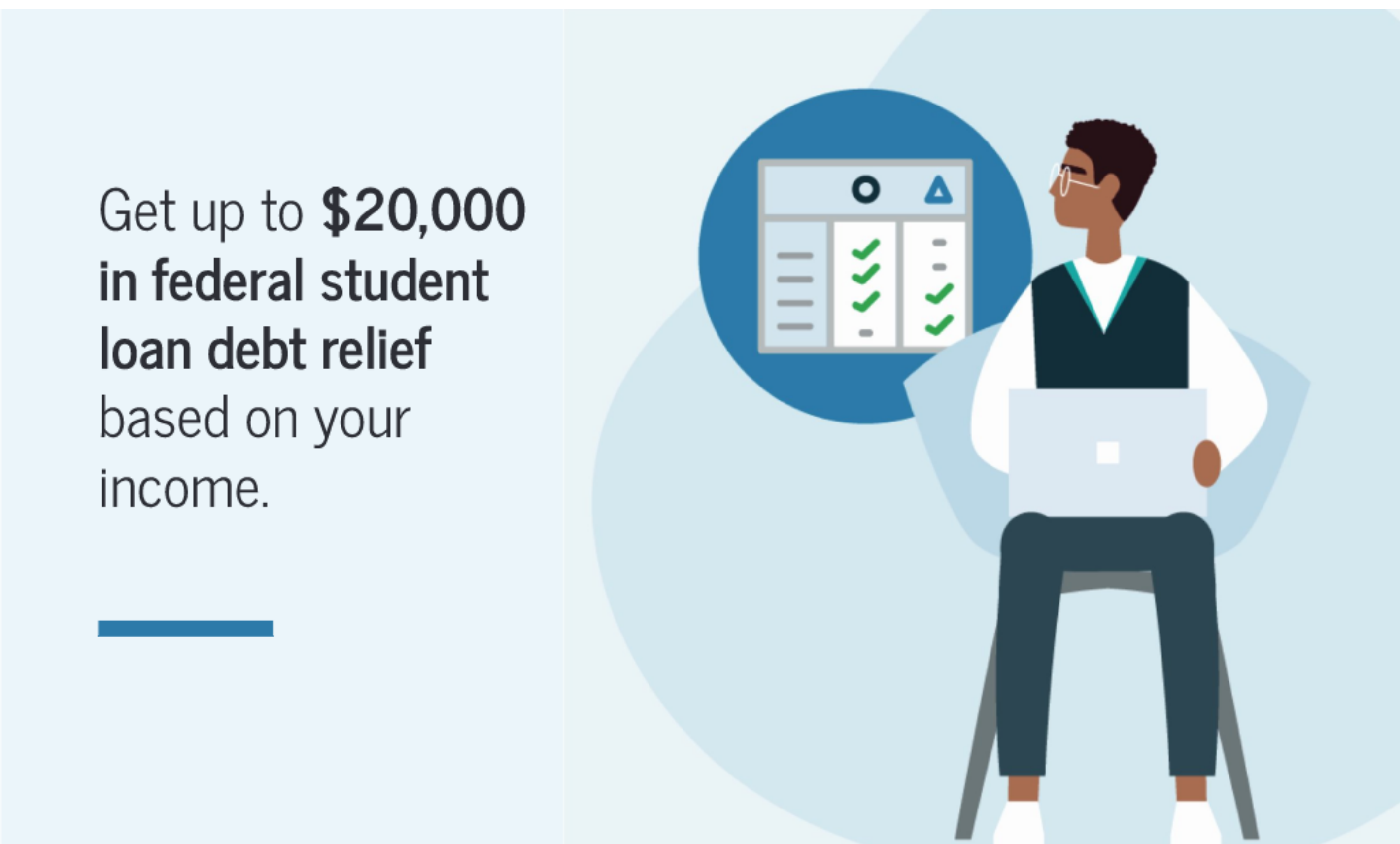
# EXHIBIT

# A

# One-Time Student Loan Debt Relief

On Aug. 24, 2022, the Biden-Harris Administration announced a Student Debt Relief Plan that includes one-time student loan debt relief targeted to low- and middle-income families.

The U.S. Department of Education (ED) will provide up to $20,000 in debt relief to Federal Pell Grant recipients and up to $10,000 in debt relief to non-Pell Grant recipients. Borrowers with loans held by ED are eligible for this relief if their individual income is less than $125,000 (or $250,000 for households).




## What Do I Need to Know?

**An online form will be available by early October. Here are some steps you can take now and in the future.**

### Step 1: Check if you’re eligible

You're eligible for student loan debt relief if your annual federal income was below $125,000 (individual or married, filing separately) or $250,000 (married, filing jointly or head of household) in 2021 or 2020.

- **$20,000 in debt relief:** If you received a Pell Grant in college and meet the income threshold, you'll be eligible for up to $20,000 in debt relief.
- **$10,000 in debt relief:** If you did not receive a Pell Grant in college and meet the income threshold, you'll be eligible for up to $10,000 in debt relief.

### Step 2: Prepare

Here's what you can do to get ready and to make sure you get our updates:

- Log in to your account on StudentAid.gov and make sure your contact info is up to date. We'll send you updates by both email and text message, so make sure to sign up to receive text alerts. If it's been a while since you've logged in, or you can't remember if you have an account username and password (FSA ID), we offer tips to help you access your account.
- If you don't have a StudentAid.gov account (FSA ID), you should create an account to help you manage your loans.
- Make sure your loan servicer has your most current contact information so they can reach you. If you don't know who your servicer is, you can log in and see your servicer(s) in your account dashboard.

### Step 3: Submit your application (when available)

The application will be available online by early October 2022.

We'll share updates on this page and send you an email when the application is available. You'll have until Dec. 31, 2023, to submit your application.

## Federal Pell Grants

### How Do I Know If I Ever Received a Federal Pell Grant?

Federal Pell Grants typically are awarded to undergraduate students with low or moderate income.

Most borrowers can log in to StudentAid.gov to see if they received a Pell Grant. We display information about the aid you received, including Pell Grants, on your account dashboard and your “My Aid” pages.

Log In to Your Account

When you apply for debt relief, we'll make sure all borrowers who received a Pell Grant receive the full benefit of up to $20,000 in relief if they meet the income requirements. ED has data on all borrowers who received a Pell Grant. If you received a Pell Grant prior to 1994, that information won't display in StudentAid.gov, but you'll still receive the full benefit.

## If I have a Pell Grant, do I need to do anything to get the full $20,000 in debt relief?

Yes. You just need to submit your application for debt relief. We have a record of every student who has ever received a Federal Pell Grant. When you submit your application, we'll check our records to determine if you have a Pell Grant, which would qualify you for up to $20,000 in debt relief. You don't need to take any additional action to show us that you received a Pell Grant.

## Do I still qualify for the full $20,000 in debt relief if I received only one Pell Grant?

Yes. As long as you received at least one Pell Grant of any amount, you qualify for the additional $10,000 in debt relief. This additional $10,000 will be applied to eligible loans, such as undergraduate, graduate, or parent loans. It doesn't matter if the Pell

Grant was used for the same program of study or at the same school as your federal student loan(s).

### If I have parent PLUS loans and my child received a Pell Grant, can the full $20,000 in debt relief be applied to my parent PLUS loans?

No. Eligibility for debt relief is based on each borrower's situation.

If a dependent student received a Pell Grant, up to $20,000 in debt relief will be applied to the student's loans—not to any loans their parent may have taken out.

A parent who has taken out loans—including loans for their own studies or parent PLUS loans for their child—may qualify for debt relief if they meet the income eligibility criteria. If a parent also received a Pell Grant for their own studies, then the parent borrower may be eligible for up to $20,000 in relief on their loans. Otherwise, the parent borrower may be eligible for up to $10,000 in debt relief.

## Which Loans Are Eligible?

### Most federal student loans are eligible

Undergraduate and Graduate Direct Loans

Parent PLUS and Grad PLUS Loans

Consolidation Loans
Underlying loans disbursed on or before June 30, 2022

Federal Family Education Loan (FFEL) Program Loans held by ED

Perkins Loans held by ED

Defaulted loans
ED-held or commercially serviced Subsidized, Unsubsidized, parent PLUS, grad PLUS; and Perkins held by ED

The following types of federal student loans with an outstanding balance as of June 30, 2022, are eligible for relief:

- William D. Ford Federal Direct Loan (Direct Loan) Program loans
  - Subsidized loans
  - Unsubsidized loans
  - Parent PLUS loans
  - Graduate PLUS loans
- Federal Family Education Loan (FFEL) Program loans held by ED or in default at a guaranty agency
- Federal Perkins Loan Program loans held by ED
- Defaulted loans (includes ED-held or commercially serviced Subsidized Stafford, Unsubsidized Stafford, parent PLUS, and graduate PLUS; and Perkins loans held by ED)

Consolidation loans are eligible for relief, as long as all of the underlying loans that were consolidated were first disbursed on or before June 30, 2022.

### How do I know what kinds of loans I have?

You can identify your loan types by logging on to StudentAid.gov and selecting "My Aid" in the dropdown menu under your name. In the "Loan Breakdown" section, you'll see a list of each loan you received. You'll also see loans you paid off or consolidated into a new loan. If you expand "View Loans" and select the "View Loan Details" arrow next to a loan, you'll see the more detailed name for that loan.

Direct Loans begin with the word "Direct." Federal Family Education Loan Program loans begin with "FFEL." Perkins Loans include the word "Perkins" in the name. If the name of your servicer starts with "Dept. of Ed" or "Default Management Collection System," your FFEL or Perkins loan is federally managed (i.e., held by ED).

The "My Aid" section will also show you the servicer(s) for your loans.

### Are defaulted loans eligible for debt relief?

Are defaulted loans eligible for debt relief?

Yes, defaulted loans are eligible for debt relief. If you have a remaining balance on your defaulted loan(s) after relief is applied, consider getting or staying out of default through the Fresh Start initiative.

### Are private loans (i.e., non-federal loans) eligible for debt relief?

No. Private (non-federal) loans are not eligible for debt relief. If you consolidated federal loans into a private (non-federal) loan, the consolidated private loan is not eligible for debt relief.

### Are parent PLUS loans and graduate PLUS loans eligible for debt relief?

Yes. All ED-held loans, including PLUS loans for parents and graduate students, are eligible for relief.

### Are Federal Family Education Loans (FFEL) or Perkins Loans eligible for debt relief?

All loans eligible for the student loan pause are also eligible for relief, including loans held by ED and guaranty agencies.

ED is assessing whether to provide relief to borrowers with privately owned federal student loans, including FFEL and Perkins Loans, and is discussing this with private lenders. In the meantime, borrowers with privately held federal student loans can receive this relief by consolidating these loans into the Direct Loan program. All eligible borrowers will have until Dec. 31, 2023 to submit an application for debt relief.

FFEL Joint Consolidation Loans, often referred to as spousal consolidation loans, are not eligible for consolidation into the Direct Loan program under current law.

# Frequently Asked Questions (FAQs)

## General Info About Debt Relief

### How can I find out how much debt relief I'll get?

If you meet the income requirements and have eligible loans, the amount of your debt relief will depend on your outstanding balance and whether you received a Federal Pell Grant.

- If you received a Pell Grant, you can receive up to $20,000 in debt relief.
- If you didn't receive a Pell Grant, you can receive up to $10,000 in debt relief.

If your outstanding loan balance is less than the maximum amount of debt relief you're eligible for, you'll receive only relief of your full loan balance.

Once you submit your application for debt relief, we'll determine your relief amount.

### How will I know when debt relief has been applied to my account?

Your loan servicer will notify you when the relief has been applied to your account, with details on how the relief was applied.

### What happens if I still have a loan balance after debt relief is applied?

Loan balances remaining after relief will be re-amortized, meaning we will recalculate your monthly payment based on your new balance, potentially reducing

your monthly payment. Your loan servicer will communicate your new payment amount to you.

## Am I eligible for a refund if I made voluntary payments during the pandemic?

Yes. You will automatically receive a refund of your payments during the payment pause if:

- you successfully apply for and receive debt relief under the Administration's debt relief plan, AND
- your voluntary payments during the payment pause brought your balance below the maximum debt relief amount you're eligible to receive but did not pay off your loan in full.

  *For example, if you're a borrower eligible for $10,000 in relief; had a balance of $10,500 prior to March 13, 2020; and made $1,000 in payments since then—bringing your balance to $9,500 at the time of discharge—we'll discharge your $9,500 balance, and you'll receive a $500 refund.*

Other borrowers can still receive refunds on voluntary payments made after March 13, 2020 by contacting their servicer. It's important to note that these refunded payments will increase your loan balance and your monthly payments. If you expect to have a balance after discharge is applied and wish to request a refund, you can do so by contacting your servicer until Dec. 31, 2023.

If you consolidated your loan after March 13, 2020, refunds aren't available for any voluntary payments made prior to the consolidation.

Refund requests can only be made by you and refunded to you, even if someone else made a payment on your loan.

## Do I have to be repaying my loans to be eligible for debt relief?

No. Borrowers are eligible for debt relief regardless of whether they're in repayment, in school, or in grace, as long as they meet the income requirements and have eligible loans.

### If I have multiple loans, can I pick which loans get the relief?

We'll determine how relief gets applied to your loans. See the next FAQ for additional details. Federal Student Aid will make this determination and provide the guidance to loan servicers, who will then process the relief.

### How will debt relief be applied to my loans?

For borrowers with multiple loans, we'll apply the relief in the following order:

- Defaulted ED-held loans
- Defaulted commercial FFEL Program loans
- Non-defaulted Direct Loan Program loans and FFEL Program loans held by ED
- Perkins Loans held by ED

If you have multiple loans in a program type (e.g., multiple Direct Loan Program loans), we'll apply the relief in the following order:

- Apply relief to loans with highest statutory interest rate.
- If interest rates are the same, apply to unsubsidized loans prior to subsidized loans.
- If interest rate and subsidy status are the same, apply to the most recent loan.
- If interest rate, subsidy status, and disbursement date are the same, apply to the loan with the lowest combined principal and interest balance.

### Will my debt relief be taxed?

One-time student loan debt relief will not be subject to federal income taxes. State and local tax implications will vary.

### How do I get help if I have questions or need assistance?

We'll continue to update this page as we have more details. **The program information you can read here is the same information our contact center agents have at this time.** After the online application is live, support for the form will be available at 1-833-932-3439.

## Applying for Debt Relief

### Will any borrowers receive automatic debt relief?

Although most borrowers will have to apply for debt relief, we have income data on hand for around 8 million borrowers. These borrowers will get the relief automatically.

### How will I know if I automatically qualify for debt relief?

If we determine that you automatically qualify for debt relief, we'll send you an email and text message (if you're signed up for text alerts). You don't have to take any action. We'll provide your information to your loan servicer to process your relief.

We'll use *Free Application for Federal Student Aid* (FAFSA®) and income-driven repayment application information to identify borrowers—or, as appropriate, parents—who have submitted income data for tax years 2021 or 2020. We'll use this

data to determine which borrowers meet the income requirements. If we have borrower data for both years, we'll use the year with the lower income.

### When will the online application be available?

The online application will be available by early October 2022.

### How do I know if you received my application?

When you submit your application for debt relief, you'll see a page online confirming your form was submitted. You'll also get a confirmation email from us, so make sure we have your most current email address. You can log in to StudentAid.gov and review your contact information.

### What happens if I applied for Public Service Loan Forgiveness (PSLF)?

We'll identify any borrower who submitted both an application for one-time student loan debt relief and a PSLF form. If you receive one-time student loan debt relief and are then determined to have been eligible for forgiveness under PSLF, we'll adjust your loan and apply the PSLF discharge. The PSLF discharge may provide a refund on certain eligible payments made after the borrower has already made 120 payments.

### How long do I have to apply for debt relief?

You'll have until Dec. 31, 2023, to submit your application for student loan debt relief.

### Is there a paper version of the debt relief application?

Initially, the application will be available only online. A paper version of the form will be made available at a future date, and you'll have until Dec. 31, 2023, to apply.

## Beware of Scams

You might be contacted by a company saying they will help you get loan discharge, forgiveness, cancellation, or debt relief for a fee. You **never** have to pay for help with your federal student aid. Make sure you work only with ED and our trusted partners, and never reveal your personal information or account password to anyone. Our emails to borrowers come from noreply@studentaid.gov.

Learn how to avoid scams and what you can do if you're contacted by a scammer.

## Get Support

We'll continue to update this page as we have more details. **At this time, our contact center agents have the same information you can read here.** After the online form is live, support for the form will be available at 1-833-932-3439.

### Additional Links

Debt Relief Announcement

Public Service Loan Forgiveness

Income-driven Repayment Plans

Who's My Servicer?

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

usa.gov | ed.gov

# EXHIBIT

# B

**Important Time-limited Opportunity for Public Servants**
Until Oct. 31, 2022, borrowers may receive credit for payments that previously did not qualify for Public Service Loan Forgiveness (PSLF). Learn more about the time-limited changes to PSLF. For information about one-time debt relief, please continue to read below.





# The Biden-Harris Administration's Student Debt Relief Plan Explained

## What the program means for you, and what comes next

Get details about one-time student loan debt relief.

President Biden, Vice President Harris, and the U.S. Department of Education have announced a three-part plan to help working and middle-class federal student loan borrowers transition back to regular payment as pandemic-related support expires. This plan includes loan forgiveness of up to $20,000. Many borrowers and families may be asking themselves "what do I have to do to claim this relief?" This page is a resource to answer those questions and more. There will be more details announced in the coming weeks. To be notified when the process has officially opened, sign up at the Department of Education subscription page. You'll have until Dec. 31, 2023 to apply.

## The Biden Administration's Student Loan Debt Relief Plan

### Part 1. Final extension of the student loan repayment pause

Due to the economic challenges created by the pandemic, the Biden-Harris Administration has extended the student loan repayment pause a number of times. Because of this, no one with a federally held loan has had to pay a single dollar in loan payments since President Biden took office.

To ensure a smooth transition to repayment and prevent unnecessary defaults, the Biden-

Harris Administration will extend the pause a final time through December 31, 2022, with payments resuming in January 2023.

#### Frequently Asked Questions:

Do I need to do anything to extend my student loan pause through the end of the year?

- No. The extended pause will occur automatically.

## Part 2. Providing targeted debt relief to low- and middle-income families

To smooth the transition back to repayment and help borrowers at highest risk of delinquencies or default once payments resume, the U.S. Department of Education will provide up to $20,000 in debt cancellation to Pell Grant recipients with loans held by the Department of Education and up to $10,000 in debt cancellation to non-Pell Grant recipients. Borrowers are eligible for this relief if their individual income is less than $125,000 or $250,000 for households. Get details about one-time student loan debt relief.

In addition, borrowers who are employed by non-profits, the military, or federal, state, Tribal, or local government **may be eligible to have all of their student loans forgiven through the Public Service Loan Forgiveness (PSLF) program.** This is because of time-limited changes that waive certain eligibility criteria in the PSLF program. These temporary changes expire on October 31, 2022. For more information on eligibility and requirements, go to PSLF.gov.

#### Frequently Asked Questions:

How do I know if I am eligible for debt cancellation?

- To be eligible, your annual income must have fallen below $125,000 (for individuals) or $250,000 (for married couples or heads of households)
- If you received a Pell Grant in college and meet the income threshold, you will be eligible for up to $20,000 in debt cancellation.
- If you did not receive a Pell Grant in college and meet the income threshold, you will be eligible for up to $10,000 in debt cancellation.

What does the “up to” in “up to $20,000” or “up to $10,000” mean?

- Your relief is capped at the amount of your outstanding debt.
- For example: If you are eligible for $20,000 in debt relief, but have a balance of $15,000 remaining, you will only receive $15,000 in relief.

What do I need to do in order to receive loan forgiveness?

- Nearly 8 million borrowers may be eligible to receive relief automatically because relevant income data is already available to the U.S. Department of Education.
- If the U.S. Department of Education doesn't have your income data, the Administration will launch a simple application which will be available in October.
- If you would like to be notified when the application is open, please sign up at the Department of Education subscription page.
- Most borrowers can expect relief within six weeks after they submit the application.
- We encourage everyone who is eligible to file the application, but there are 8 million people for whom we have data and who will get the relief automatically.
- Borrowers are advised to apply before November 15th in order to receive relief before the payment pause expires on December 31, 2022.
- The Department of Education will continue to process applications as they are received, even after the pause expires on December 31, 2022.

What is the Public Service Loan Forgiveness Program?

- The Public Service Loan Forgiveness (PSLF) program forgives the remaining balance on your federal student loans after 120 payments working full-time for federal, state, Tribal, or local government; the military; or a qualifying non-profit.
- Temporary changes, ending on Oct. 31, 2022, provide flexibility that makes it easier than ever to receive forgiveness by allowing borrowers to receive credit for past periods of repayment that would otherwise not qualify for PSLF.
- **Enrollments on or after Nov. 1, 2022 will not be eligible** for this treatment. We encourage borrowers to sign up today. Visit PSLF.gov to learn more and apply.

Visit the one-time student loan debt relief page for more information.

## Part 3. Make the student loan system more manageable for current and future borrowers

Income-based repayment plans have long existed within the U.S. Department of Education. However, the Biden-Harris Administration is proposing a rule to create a new income-driven repayment plan that will substantially reduce future monthly payments for lower- and middle-income borrowers.

The rule would:

- **Require borrowers to pay no more than 5% of their discretionary income monthly on undergraduate loans.** This is down from the 10% available under the most recent income-driven repayment plan.
- **Raise the amount of income that is considered non-discretionary income and therefore is protected from repayment,** guaranteeing that no borrower earning under 225% of the federal poverty level—about the annual equivalent of a $15 minimum wage for a single borrower—will have to make a monthly payment.
- **Forgive loan balances after 10 years of payments,** instead of 20 years, for borrowers with loan balances of $12,000 or less.
- **Cover the borrower's unpaid monthly interest**, so that unlike other existing income-driven repayment plans, no borrower's loan balance will grow as long as they make their monthly payments—even when that monthly payment is $0 because their income is low.

The Biden-Harris Administration is working to quickly implement improvements to student loans. Check back to this page for updates on progress. If you'd like to be the first to know, sign up for email updates from the U.S. Department of Education.

# EXHIBIT

# C

PENN WHARTON
UNIVERSITY *of* PENNSYLVANIA
**Budget Model**

# The Biden Student Loan Forgiveness Plan: Budgetary Costs and Distributional Impact

**Summary:** President Biden's new student loan forgiveness plan includes three major components. We estimate that *debt cancellation* alone will cost up to $519 billion, with about 75% of the benefit accruing to households making $88,000 or less. Loan *forbearance* will cost another $16 billion. The new *income-driven repayment* (IDR) program would cost another $70 billion, increasing the total plan cost to $605 billion under strict "static" assumptions. However, depending on future IDR program details to be released and potential behavioral (i.e., "non-static") changes, total plan costs could exceed $1 trillion.

**Key Points**

- We estimate that President Biden's proposed student loan debt cancellation alone will cost between $469 billion to $519 billion over the 10-year budget window, depending on whether existing and new students are included. About 75% of the benefit falls to households making $88,000 or less per year.

- Loan forbearance for 2022 will cost an additional $16 billion.

- Under strict "static" assumptions about student borrowing behavior and using take-up rates within existing income-based repayment programs, the proposed new IDR program will cost an additional $70 billion, increasing total package costs to $605 billion.

- However, depending on future details of the actual IDR program and concomitant behavioral changes, the IDR program could add another $450 billion or more, thereby raising total plan costs to over $1 trillion. These details require future study.

## Introduction

President Biden has recently announced a fact sheet for a student loan relief proposal that includes:

- *Debt cancellation*: Individuals earning less than $125,000 (or $250,000 for families) a year will be eligible for up to $10,000 in debt cancellation. Pell Grant recipients earning less than $125,000 (or $250,000 for families) a year are eligible for up to $20,000 in debt reduction.

- *Forbearance*: Student loan forbearance extended through December 31, 2022.
- *New Income-Driven Repayment (IDR)*: This plan proposes:
  - Capping monthly payments to 5% (relative to the current rate of 10% or more) of the discretionary income for undergraduate loan borrowers;[1]
  - Covering the borrower's unpaid monthly interest so that debt balances will not grow even when monthly payments are zero;
  - Raising the amount excluded from the calculation of discretionary income from 150% to 225% of the poverty line; and,
  - Forgiving loan balances after 10 years of payments, instead of 20 years, for borrowers with original loan balances of $12,000 or less.

The estimation methods herein largely follow our previous brief on student loan debt forgiveness, along with some updates to accommodate the new details released by the Biden Administration. Our previous brief also provides additional background into existing income-based repayment programs.

## Loan Forgiveness ("Debt Cancellation")

Table 1 reports the 10-year budgetary cost estimates for the student loan forgiveness portion of the Biden proposal. The $468.6 billion cost in 2022 corresponds to loans only for students who have separated from eligible post-secondary education and no longer have their debt payments deferred. The $519.1 cost over the 10-year budget window includes students currently enrolled in college with loan deferral status as well as future students during the budget window. As discussed in our previous brief, our loan forgiveness calculations include cost savings to existing income-based repayment programs with partial take-up rates.

### Table 1. Conventional Budget Estimates of the Broad Student Debt Forgiveness, FY2022 - 2031

*Billions of Dollars*

DOWNLOAD DATA

| Provision | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Budget Window |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Loan forgiveness (*) | 468.6 | 5.5 | 5.0 | 5.0 | 5.4 | 5.2 | 5.9 | 5.9 | 6.1 | 6.4 | 519.1 |
| Loan forbearance | 16.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16.0 |
| New IDR program (*, **) | 41.6 | 2.8 | 2.8 | 2.7 | 2.6 | 2.9 | 3.4 | 3.6 | 3.8 | 4.0 | 70.3 |
| **Total** | **526.3** | **8.3** | **7.8** | **7.7** | **8.1** | **8.1** | **9.3** | **9.5** | **9.9** | **10.4** | **605.4** |

* For clarity, costs are recorded in the shown year based on outstanding loan vintage. For IDR, Congress can determine a different cost path of subsidy rates by year.
** New IDR program costs are fully "static" by assuming takeup rates of existing IBR programs. A "conventional" score would include an increase in takeup rates, as discussed below.

Table 2A reports the distributional impact of loan forgiveness in 2022 across all ages while Table 2B restricts the ages to 25 – 35, an age range that is arguably a bit more consistent with lifecycle effects. About 74 percent (Table 2A) to 76 percent (Table 2B) of forgiveness accrues to households making less than $82,400 (Table 2A) or $88,043 (Table 2B). Relative to our previous brief, the extra Pell grant trigger bonus of an additional $10,000 in forgiveness---for a total forgiveness of up to $20,000 for Pell grant recipients---skews the distribution more toward lower-income households.

## Table 2. Student Debt Forgiveness Benefit Distribution, FY2022

DOWNLOAD DATA

- 2A: All Ages
- 2B: Age 25-35

**2A: All Ages**

| Income Group | Debt forgiven benefit distribution |
|---|---|
| Bottom quintile | 14.32% |
| Second quintile | 23.46% |
| Middle quintile | 36.02% |
| Fourth quintile | 20.52% |
| 80-90% | 4.70% |
| 90-95% | 0.99% |
| 95-99% | 0.00% |
| 99-99.9% | 0.00% |
| Top 0.1% | 0.00% |

Notes: Estimate household income percentile thresholds for 2022 all age: 20%: $28,784; 40%: $50,795; 60%: $82,400; 80%: $141,096; 90% $212,209; 95%: $321,699; 99%: $961,711; 99.9%: $3,668,499.

**2B: Age 25-35**

| Income Group | Debt forgiven benefit distribution |
|---|---|
| Bottom quintile | 13.46% |
| Second quintile | 25.09% |
| Middle quintile | 37.00% |
| Fourth quintile | 18.22% |
| 80-90% | 5.98% |
| 90-95% | 0.25% |
| 95-99% | 0.00% |
| 99-99.9% | 0.00% |
| Top 0.1% | 0.00% |

Notes: Estimate household income percentile thresholds for 2022 age 25–35: 20%: $29,348; 40%: $53,052; 60%: $88,043; 80%: $153,513; 90% $233,655; 95%: $363,464; 99%: $1,090,391; 99.9%: $4,503,788.

## Loan Forbearance

Table 1 reports that loan forbearance will cost an additional $16 billion. This amount is “stacked” after loan forgiveness. The presence of loan forgiveness reduces the *additional* cost associated with forbearance. Given its size, the distributional impact is not reported, but it is more evenly distributed throughout the income distribution relative to loan forgiveness.

## Income Driven Repayment

Table 1 also reports that the new IDR plan will cost an additional $70.3 billion over the 10-year window when “stacked” after the loan forgiveness and forbearance.

This new program will likely target lower income households even more than loan forgiveness noted above. However, assigning the new IDR gains to specific income groups with reasonable accuracy requires the use of confidential data and an associated mandatory external review period. We will revisit this issue in coming weeks.

This calculation also assumes that take-up rates in the new IDR proposal are the same as in existing income repayment plans. As we document in our previous brief, a majority of qualified borrowers do not enroll in existing programs.

## Future Analysis is Needed

The new features in the new IDR proposal, however, could sharply increase take-up rates. Even many borrowers who anticipate not being qualified in future years would typically be better off enrolling in the

intermediate years in which they are qualified. There would also be financial incentives for future borrowers to shift education financing toward more borrowing to take advantage of the 5% repayment threshold. If the Department of Education simply auto-enrolled borrowers for which it had sufficient information (i.e., switched from "opt in" to "opt out"), the additional costs of the IDR program alone could reasonably exceed $450 billion.

The actual net distributional effects (the "incidence") of the new IDR program will also depend on future program details yet to be released. Part of the benefit might be captured by colleges and universities in the form of higher net prices, either higher tuition prices or reduced needs-based tuition offsets.

We plan to examine these issues in future work, especially as new program details emerge.

*This analysis was produced by Junlei Chen under the guidance of Kent Smetters. Prepared for the website by Mariko Paulson.*

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1. Graduate student debt would also qualify, but at a 10% income cap, like existing programs although with more generous terms discussed below. ↩

# EXHIBIT

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BRIEFING ROOM

# Background Press Call by Senior Administration Officials on Student Loan Relief

AUGUST 24, 2022 • PRESS BRIEFINGS

Via Teleconference

MR. HASAN: Hi, everyone, this is Abdullah from the White House. Thanks for joining today's background briefing on the student loans announcement. As you may have seen just before this call, the President will have more to say on this at 2:15 p.m. today.

As a reminder, this call is on background and attributable to a senior administration official. There is no embargo.

For your awareness but not for reporting purposes, joining us for the call today are [senior administration official] and [senior administration official].

With that, I will turn it over to [senior administration official].

SENIOR ADMINISTRATION OFFICIAL: Hi. Good morning, everyone. Thanks for joining us today. We wanted to provide some background and walk you through the plan that the President recently announced.

President Biden believes that a post-high school education should be a ticket to a middle-class life. But for too many, the cost of borrowing for college is a lifelong burden that deprives them of that opportunity.

During the campaign, the President promised to provide targeted student debt relief. And today, the Biden administration is following through on that promise with a plan that will benefit tens of millions of middle-class Americans, their families, and the economy as a whole.

Over the last 40 years, the total cost of both four-year public and four-year private colleges have nearly tripled, even after accounting for inflation. At the same time, federal support has

not kept up. Pell Grants once covered nearly 80 percent of the cost of a four-year public college degree, but now they only cover a third.

All of this has left many students from low- and middle- income families with no choice but to borrow if they want to get a degree.

This skyrocketing federal student loan debt burden — $1.6 trillion and rising — for more than 45 million borrowers is a financial weight on America's middle class. Middle-class borrowers struggle with high monthly payments and ballooning balances that make it harder for them to build wealth. Larger student debt burdens make it harder for people to buy homes or put money away for retirement. It also makes it harder for borrowers to start small businesses because many entrepreneurs rely on their personal wealth to get their businesses off the ground.

And for the most vulnerable borrowers, the effect of debt are even more crushing, with one in six borrowers in default and many unable to complete their degree because the cost of attendance was too high.

The burden falls disproportionately on Black borrowers. According to one analysis, Black borrowers 20 years after taking on the debt still owe 95 percent of their original student loan debt.

Today, President Biden is taking action to lift a large weight off of tens of millions of Americans by relieving student loan debt and reforming our student loan system as a whole.

This announcement has three major parts, and it offers targeted debt relief to lower- and middle-income families as part of a comprehensive effort to address growing college costs.

I will describe the first two parts and then turn it over to my colleague to describe the third.

First is debt cancellation. The administration will provide $20,000 in debt relief to borrowers who received Pell Grants while they were in college. To qualify, a borrower must make less than $125,000, or $250,000 if they are part of a household. Borrowers who are not Pell Grant recipients but who meet those income thresholds will be eligible to receive $10,000 in relief.

It is really hard to overstate how significant this is for America's middle class and for our economy. This announcement will help people who, by and large, came from working families and are working class now.

If all borrowers claim the relief that they're entitled to, 43 million federal student loan borrowers will benefit. And of those, 20 million will have their debt completely canceled.

This plan distributes relief highly progressively. Among borrowers who are no longer in school, nearly 90 percent of relief dollars will go to those earning less than $75,000 a year, and no one in the top 5 percent of incomes in America will get a single dollar of relief.

Also, by targeting relief to borrowers with the highest economic need, this plan helps narrow the racial wealth gap. That's in part because Black students are more likely to have to borrow for school, more likely to take out larger loans, and more likely to have received Pell Grants.

Even before applying the additional $10,000 for Pell Grant recipients, the typical Black borrower will see their balance cut nearly in half, and more than one in four Black borrowers will see their balance forgiven altogether.

And then, on top, adding relief for Pell Grant recipients will go a long way to promoting equity because Black borrowers are twice as likely to be Pell Grant recipients as their white peers.

Current students with loans are eligible for this debt relief. Dependent students will be eligible for relief based on their parental income rather than their own income.

And to ensure a smooth transition to repayment and prevent unnecessary defaults, the administration will be extending the pause on federal student loan payments one final time through December 31, 2022.

By combining targeted relief with a restart in payments, the President is taking one step that has a negative fiscal impulse — collecting more payments from borrowers — and one step that has a positive fiscal impulse — offering debt relief to borrowers most in need.

In terms of an impact on inflation relative to today, our view is that those steps largely offset. There are certain conditions and assumptions under which they could well be neutral or deflationary.

With that, I'm going to turn it over to [senior administration official] to talk about the other components of the plan.

SENIOR ADMINISTRATION OFFICIAL: Thank so much. As [senior administration official] said, in addition to providing immediate cancellation, the administration is making the student loan system more manageable for current but also future borrowers.

Fist, the department will reform something called the income-driven repayment system. The Department of Education has authority to create income-driven repayment plans, which cap what borrowers pay each month based on a percentage of their discretionary or disposable income. Most of these plans cancel a borrower's remaining debt once they make 20 years of monthly payments.

But the existing versions of these plans are too complex and too limited. And as a result, millions of borrowers who might benefit from them do not sign up, and the millions who do sign up are still often left with unmanageable monthly payments.

So that's why the President will announce proposed reforms to income-driven repayment so that both current and future low- and middle-income borrowers will have smaller monthly payments.

The proposed rule for undergraduate loans would cut in half the amount that borrowers have to pay each month from 10 percent to 5 percent of discretionary income. They'll also raise the amount of income that is considered non-discretionary and therefore protected from repayment, guaranteeing that no borrower earning under 225 percent of the federal poverty level, which is about the annual equivalent of a $15 minimum wage for a single borrower, will have to make a monthly payment.

Further, for borrowers with loan balances of $12,000 or less, the proposed rule will forgive loan balances after 10 years of payments instead of 20 years.

And unlike existing income-driven repayment plans, this plan would cover the borrower's unpaid monthly interest so that borrowers' loan balance won't grow as long as they make their monthly payments.

These reforms will deliver significant savings to low- and middle-income borrowers. For example, a typical single construction worker making $38,000 a year with a construction management credential would pay only $31 a month compared to the $147 they pay now under the most recent income-driven repayment plan. That would give them an annual savings of nearly $1,400.

And starting in the summer of 2023, borrowers will be able to allow the Department of Education to automatically pull their income information year after year, avoiding the hassle of needing to rectify their income annually. Once a borrower is enrolled, it will be much easier to stay enrolled and receive credit that they're due.

Second, the Department of Education is also making changes to the Public Service Loan Forgiveness — or the "PSLF" — program that builds off of shorter-term changes that make it easier for borrowers working in public service to gain progress towards loan forgiveness.

Borrowers working in public service are entitled to earn credit towards loan forgiveness under PSLF, but because of complex eligibility restrictions, historic implementation failures, and poor counseling given to borrowers, many public service servants have not received the credit they deserve for their public service.

The Department of Education also proposed regulatory changes to ensure more effective implementation of the PSLF program moving forward. Specifically, the Department of Education has proposed allowing more payments to qualify for PSLF, including partial lump sum and late payments.

The proposed rule also allows certain kinds of deferments and forbearances — such as those for Peace Corps and AmeriCorps service, National Guard duty, and military service — to count towards PSLF. And it proposes to change the program so that it works better for nontenured instructors whose colleges need to calculate their full-time employment.

In the short term, the Department of Education has announced time-limited changes to PSLF that provide an easier path to forgiveness. Those who serve less than 10 years can now more easily get credit for their service to date towards eventual forgiveness.

These changes allow eligible borrowers to gain additional credit towards forgiveness even if they've been previously denied.

To ensure borrowers are aware of the temporary changes, the White House has launched four PSLF days of action dedicated to borrowers in specific sectors: government employees, educators, healthcare workers, first responders, and nonprofit employees. Today is the first day of action.

Additionally, the Department of Education has already taken significant steps to strengthen accountability so that students are not left with mountains of debt with little payoff. The agency has reestablished the enforcement unit in the Office of Federal Student Aid, and it is holding accreditors' feet to the fire. In fact, the department just withdrew authorization for the accreditor that oversaw schools responsible for some of the worst for-profit scandals.

The agency will also propose a rule to hold career programs accountable for leaving the graduates with mountains of debt that they cannot pay — a rule the previous administration repealed.

Building off of these efforts, the department is announcing new actions to hold accountable colleges that have contributed to the student debt crisis, including publishing an annual watch list of the programs with the worst debt levels in the country, so that students registering for programs in the next academic year can steer clear of programs with poor outcomes.

It is also requesting institutional improvement plans from the worst actors that outline how the colleges with the most concerning debt outcomes intend to bring down debt levels.

The President believes that when we strengthen the middle class of the country, everyone benefits. And that's what these policies do. It provides a little bit more financial security for millions of lower- and middle-income Americans.

And with that, I'll turn it back to Abdullah. Thanks so much.

MR. HASAN: Thank you. We'll go ahead to Chris Megerian for the first question.

Chris, you should be unmuted now.

Q Okay, here I am. So, a question about future college students. What impact will this have on students who are currently in high school and are going to be starting — you know, taking out lots of debt to be starting college soon? And also, can you specify the impact on Parent PLUS loans — basically, loans that parents are still paying off for their college graduates?

SENIOR ADMINISTRATION OFFICIAL: So, Parent PLUS loans held by the Department of Education are included in the cancellation policy that [senior administration official] described.

In terms of future students, two things. As I laid out at the end there, there's policies that are designed to help reduce the cost of college, including increasing Pell, and the President has proposed moving forward to double the maximum Pell Grant.

And the — all of — the proposal related to income-driven repayment would apply to future loans. So it will reduce the amount a borrower must pay on undergraduate loans from 10 to 5 percent of their monthly income. And again, if they're low income, it protects — under the definition of discretionary income, it protects a higher level of income. So some borrowers could have a zero payment, depending on what their income is.

MR. HASAN: Great. Thank you. For the next question, we'll go to Jeremy Diamond.

Q Hey, thanks for doing this. First of all, on the inflation concerns, I know that you guys said that you believe that these steps will largely offset each other, but do you just dismiss, out of hand, concerns from several Democratic economists like Larry Summers and Jason Furman? And is there any circumstance under which you think that this will increase inflation?

And then, secondly, just on the decision-making front, you know, this is something that the President has been considering for a really long time now, it seems. And so I'm wondering, you know, why it took so long.

And there also seems to have been a significant 11th-hour push to get the President to go further, and I wonder if you guys could take us into that process over the last week.

Thanks.

SENIOR ADMINISTRATION OFFICIAL: Sure. So, on the inflation question, our view is that the combination — so if we — relative to where we sit today, which is that federal student loans are paused and that — and 45 million borrowers are under no obligation to make any payments to the government, the combination of restarting those loans — those loan payments — and providing targeted debt relief per the President's plan at roughly the same time will largely offset each other. That's our view.

And also, frankly, with certain fairly reasonable assumptions — because there's a lot of assumptions that go into this kind of analysis — the joint impact of those two actions could well be neutral or deflationary.

And I would just note that a number of independent experts have echoed this point. As you noted, there's some people who take the opposite view, but Moody's, Roosevelt, EPI, Center for American Progress, others who have discussed, you know, a plan with this sort of general outline — a combination of restarting student loan payments and providing targeted debt relief — have come to the same conclusion.

MR. HASAN: Great. And then, for the next question, we can go to Cheyenne Haslett.

Q Hi, thank you. Can you clarify which tax year for income — whether it's 2021 or 2022? And can you also clarify how exactly, going forward, the monthly income payments will be — you know, whether that will be taken on by taxpayers or how cutting down on that will affect the cost of this plan?

SENIOR ADMINISTRATION OFFICIAL: I can take the first. And, [senior administration official], maybe you can take the second?

For the purposes of the immediate debt relief, a borrower's income in either the 2020 or 2021 tax year is what's relevant. So, in other words, if in either 2021 or 2020 their income was below the income caps that have been described, they would be eligible for relief.

SENIOR ADMINISTRATION OFFICIAL: Sorry, I had a little — audio.

So, on the IDR, the costs of that program are spread out over time. It depends on how much outstanding debt is forgiven at the end of the repayment period, but borrowers will be making reduced payments on an annual basis. And in the — if they have outstanding loans at the end of the 20-year period and 10-year period for under $12,000, that amount of fund- — debt will be forgiven. Some of those debts may not have been recuperated because people have gone into default. So it's a fairly complicated process for determining the cost implications.

MR. HASAN: Thanks, [senior administration official]. And then for the next question, let's go to Asma.

Q Hi, guys. It's Asma from NPR. Thank you all so much. I think this was a question that actually Jeremy had asked earlier — I don't believe it was answered — which is that there were certainly — there was certainly a desire from some Democrats to go larger. And can you help us understand the process of how the President settled on this 10k threshold for most borrowers — 20k, obviously, for Pell Grant recipients? But how was this settled upon — given that I know there was a desire, certainly even this week — to go larger than that?

SENIOR ADMINISTRATION OFFICIAL: So I just want to clarify something, Asma: that 60 percent of borrowers have Pell Grants. So actually, the majority of borrowers are eligible for 20k in relief, and the remainder are eligible for the $10,000 in relief. So I think that's an — that's an important clarifying point.

And it honestly reflects — if you look at who Pell Grant recipients are, about half of them come from families that make under $30,000 a year and roughly the other half of

them come from families that make between $30- and $60,000 a year. And collectively, those Pell Grant recipients make up about 60 percent of student loan borrowers.

So that just emphasizes, to me at least, how, you know, the vast majority of borrowers — or a strong majority of borrowers are folks who come from lower-income, middle-income families.

In terms of the process: Look, the President made a commitment during the campaign. He said, you know, he was going to provide $10,000 in relief. And over the past months, we've been going through the process that the President asked us to go through — examining the

legal authority, looking at different permutations of this proposal — all with the goal of figuring out how do we provide relief to the people who really need it. And that's — this is a product of the plan that we arrived at.

We think it does a very good job of, number one, targeting relief to lower-income, middle-income borrowers. As I said, nearly 87 — nearly 90 percent of the relief dollars here go to people making under $75,000 a year, while not a single dollar goes to anybody in the top 5 percent of incomes. And by targeting additional money to Pell Grant recipients, we are recognizing that not just income, but wealth plays a really important role in the capacity of borrowers to repay. And because Pell Grant recipients tend to come from lower-wealth families, providing them with additional relief is a way of really targeting relief at those who need it.

So that's the basic decision-making process.

MR. HASAN: Thanks, [senior administration official]. For the last question, let's go to Andrew Restuccia.

Q I'm sorry about that. Can you just to get into the legal justification for this cancellation a little bit more? It sounds like the administration released a memo laying it out, and it's based on pandemic authority. Can you explain how — you know, why it's based on pandemic authority when, you know, the conditions in the economy and other — and also health conditions of the country have been improving?

SENIOR ADMINISTRATION OFFICIAL: Yeah, look, my — I'm not a lawyer. So I'm — my instinct is to defer — for you guys to take a look at the written document that goes through this and to follow up with either the Education Department or DOJ if you have any questions on that.

MR. HASAN: All right, we'll take one final question. And we'll go to Lauren Egan.

Q Hi. Could you clarify the income cap? Do you qualify if you make as much as $125,000 a year or do you have to be under that? And then can you speak a little bit to what borrowers have to do, if anything, to get this cancellation and when people can start to see this reflected in their balances?

SENIOR ADMINISTRATION OFFICIAL: Sure. So, the income cap is under $125,000.

In terms of the process here, the Education Department is going to be releasing additional details in the coming days and weeks. Some borrowers are going to have to submit essentially

a simple application that goes to their income and shows that they would meet the income caps that have been set out in this plan.

It's also the case that a certain percentage of borrowers — I think roughly 8 million borrowers — have already submitted relevant income information on file to the Education Department through other means. And those folks may — who qualify under the income cap — may be able to receive debt relief automatically.

But I'd refer you to the Education Department for further implementation details.

MR. HASAN: All right. Thank you everyone for joining today's call.

As a reminder, it is on background, attributable to "senior administration officials." No embargo.

You should have, during the call, received a factsheet from the White House as well, (inaudible) look at that. And thanks again for joining.

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